

The KRS Board of Trustees is considering a number of amendments to the Statement of Bylaws and Committee Organization. You will find a draft copy of the proposed amendments below. These proposed amendments will be considered for final adoption by the Board of Trustees at its regular quarterly meeting scheduled for December 5, 2013.

## **KENTUCKY RETIREMENT SYSTEMS BOARD OF TRUSTEES**

### **STATEMENT OF BYLAWS AND COMMITTEE ORGANIZATION**

#### **Section 1.1 General Administration.**

This Statement of Bylaws and Committee Organization of the Board of Trustees is adopted pursuant to the authority of KRS 61.645. The law shall control if any inconsistency exists between the law and this Statement of Bylaws and Committee Organization of the Board of Trustees.

- a. **BOARD YEAR.** The Board Year shall be from April 1 of each calendar year through March 31 of the following year.
- b. **QUORUM; PARLIAMENTARY AUTHORITY.** As required by KRS 61.645(8)(c), a majority of the trustees on the board or any committee~~Five (5) members of the Board~~ shall constitute a quorum, for transaction of business and all actions taken by the board or any committee shall be by affirmative vote of a majority of the trustees present and constituting a quorum.; ~~and~~ ~~†~~The most recent edition of Robert's Rules of Order shall be the parliamentary authority.
- c. **MEETINGS.** Meetings of the Board and Committees will be conducted consistent with the Open Meetings Act, KRS 61.805 to 61.850. The Open Meetings Act shall control if any inconsistency exists between the Open Meetings Act and these bylaws.
- d. **ANNUAL MEETING.** The annual meeting of the Board shall be held on the first Thursday of each Board Year.
- e. **REGULAR QUARTERLY MEETINGS.** The regular quarterly meetings shall be held on the third Thursday of February ~~and~~; May, the second Thursday of September, ~~and August~~ and on the first Thursday of December.
- f. **SPECIAL MEETINGS.** Special meetings of the Board of Trustees and all committees shall be held upon the call of the Chair of the Board of Trustees, the Committee Chair, the Executive Director, or upon the request of a majority of the five (5) members of the Board or a committee. Notice of a the special meeting of the

~~board or a committee shall~~ will be posted as soon as practicable, but at least twenty-four hours (24) before the meeting is scheduled. The notice of ~~a the~~ special meeting ~~shall~~ will include the date, time, and location of the special meeting and the agenda for the special meeting.

**g. NOTICE OF MEETINGS.** Members of the Board ~~and committees~~ shall be given written ~~and/or email~~ notice of the time and place of each regular or special meeting and of the business to be considered at least ten (10) days prior to such meeting, except that when circumstances warrant a special meeting of the Board ~~or a committee~~, such notice shall be given as soon as reasonably possible, but not less than twenty-four (24) hours prior to the special meeting.

**h. RECORDS OF PROCEEDINGS.** All official acts of the Board shall be recorded in the minutes. The Executive Director shall cause the minutes to be transcribed and presented for approval or amendment at the next regular meeting. The minutes or a copy certified by the Chair and Executive Director shall be on file in the retirement office and open to public inspection.

**i. CHANGE IN MEETING DATES.** Any regular or special meeting of the Board may be changed by following the procedure prescribed in these Bylaws for calling special meetings.

**j. CHAIR AND VICE CHAIR OF THE BOARD.** The board shall elect a chair and a vice chair at each annual meeting to hold office for the ensuing Board Year or until their successors are elected. The chair shall not serve more than four (4) consecutive years as chair or vice-chair of the board. The vice-chair shall not serve more than four (4) consecutive years as chair or vice-chair of the board. A trustee who has served four (4) consecutive years as chair or vice-chair of the board may be elected chair or vice-chair of the board after an absence of two (2) years from the positions. ~~A Chair shall be elected at each annual meeting to hold office for the ensuing Board Year or until a successor is elected.~~

~~The Chair may be elected to up to four (4) successive one (1) year terms in office. After a break of two (2) years, a Trustee may again be elected Chair for up to four (4) successive one (1) year terms in office.~~

~~**j. VICE CHAIR OF THE BOARD.** A Vice Chair of the Board shall be elected at each annual meeting to hold office for the ensuing Board Year or until a successor is elected.~~

~~The Vice Chair shall preside at meetings of the Board in the absence or inability to act of the Chair.~~

~~The Vice Chair may be elected to up to four (4) successive one (1) year terms in office. After a break of two (2) years, a Trustee may again be elected Vice Chair for up to four (4) successive one (1) year terms in office.~~

- k. **COMMITTEES.** The Board may create Committees with such powers and duties as the Board may determine.

The Chair of the Board of Trustees, unless otherwise determined by the Board, shall name the members of each Committee. Committee members shall serve concurrently with the appointing Chair.

- l. **CONFLICTS OF INTEREST.** Board members shall file a financial disclosure statement with the Executive Branch Ethics Commission by April 15 of each calendar year, or within thirty (30) days following departure from office as a member of the Board, or as otherwise provided by law.

- n. **TRAVEL POLICY GUIDELINES.**

- 1. All travel for official business of Kentucky Retirement Systems must be done in accordance with the Kentucky Retirement Systems Travel Policy and Procedures adopted by the Board of Trustees.

- 2. No more than ~~six (6)~~four (4) Board members may be passengers on the same airline flight. A maximum of two (2) senior staff members may be passengers on the same flight.

- o. **ELECTION POLICY GUIDELINES.** All elections for elected members of the Board of Trustees of Kentucky Retirement Systems must be conducted in accordance with the provisions of KRS 61.645 and the Kentucky Retirement Systems Board of Trustees Election Policy and Procedures adopted by the Board.

- p. **VIOLATIONS OF BY-LAWS OR BOARD POLICIES.** If a complaint is made that a member of the Board violated these by-laws or any policy approved by the Board, the Board shall follow the procedure found in the Conflict of Interest and Confidentiality Policy in investigating the complaint.

## **Section 1.2 Board Responsibilities.**

- a. The Board shall make bylaws.
- b. The Board shall appoint an Executive Director and fix the Executive Director's salary.
- c. The Board shall adopt a compensation and classification plan applicable to all KRS employees other than the Executive Director and the Chief Investment Officer. The Board shall authorize and instruct the Executive Director to cause the name, position and salary of each employee to be posted on the website of KRS and otherwise be subject to public review pursuant to Kentucky Revised Statutes 61.870 to 61.884. The Executive Director shall present a list of the salaries of the KRS executive staff,

including: the Executive Director; Chief Officers; Division Directors; Deputy Controller; Information Security Officer; General Counsel; and Assistant General Counsel~~employees of KRS~~ to the Board at its regular quarterly meeting in August each year, unless the Board directs that the data be presented at a different time or more frequently.

- d. The Board shall act on contracts for rental of office space, and professional services including but not limited to the auditor, actuary, legal counsel, medical examiners, and hearing officers.
- e. The Board shall act on legislative and regulatory changes proposed by the staff of the retirement systems.
- f. The Board shall ratify the audited financial statements.
- g. The Board shall ratify the actions of its Committees.
- h. The Board shall act on the recommendations of the actuary and shall adopt actuarial assumptions and contribution rates.
- i. The Board shall adopt contribution rates toward medical insurance premiums.
- j. The Board shall provide oversight concerning programs and services for members, retirees, beneficiaries, and participating employers.
- k. The Board shall select candidates for each trustee ballot.
- l. The Board, or individual members of the Board, ~~should ordinarily shall~~ refer all news media inquiries to the Executive Director and/or the KRS Board Chair and ~~should shall~~ not speak on behalf of the Board or KRS discuss matters that affect the Systems or the Board generally with the news media. However, nothing in this subsection is intended to prevent individual board members from speaking to the media concerning their actions and decisions as individual board members.

### **Section 1.3 Executive Director Responsibilities.**

- a. The Executive Director shall appoint all staff to all positions in the retirement systems, and shall manage the staff to perform all administrative functions of Kentucky Retirement Systems.
- b. The Executive Director shall develop a biennial budget and necessary budget amendments.
- c. The Executive Director shall be responsible for information and record management, and shall develop and maintain a disaster recovery plan.

- d. The Executive Director shall establish and implement policies in conformance with statutes, regulations and Board policies related to benefits administration.
- e. The Executive Director shall provide oversight of litigation and report significant developments to the Board.
- f. The Executive Director shall act as legislative liaison, and represent the Board at legislative hearings and other legislative meetings.
- g. The Executive Director shall oversee the administrative appeals and disability appeals hearing process.
- h. The Executive Director shall recommend legislative or regulatory changes and propose draft language.
- i. The Executive Director shall provide technical assistance to the members of General Assembly, Governor's office, state and local government officials, members, retirees, and beneficiaries of the retirement systems.
- j. The Executive Director shall communicate with the mass media and other agencies, entities or institutions, including responding to correspondence or inquiries addressed to the Board.
- k. The Executive Director shall implement any statutory or regulatory changes and take appropriate action to conform with federal law.
- l. The Executive Director shall coordinate reciprocal benefits with the other state administered retirement systems in Kentucky.
- m. The Executive Director shall present a list of the salaries of the employees of KRS to the Board at its regular quarterly meeting in August each year, unless the Board directs that the data be presented at a different time or more frequently.
- n. The Executive Director shall present a budget-to-actual expenditure analysis to the Board at each quarterly meeting of the Board.

## **Section 2.1 Standing Committees.**

The Board shall have the Standing Committees specified in Section 2.2, each of them to have the duties and responsibilities as therein set forth, together with such other duties and responsibilities as the Board may by resolution determine. In each Board Year, the Chair, elected at the annual meeting, shall appoint Board members to Committees as specified in Section 2.2. Each committee shall have a Chair and t~~t~~The Board Chair shall appoint the Chair of ~~each~~each Committee. A Committee may (but is not required to) elect a Vice Chair from among its members by a majority vote of its membership. A Vice Chair so elected shall preside at meetings of the Committee in the absence or inability to

act of the Committee Chair. Any Board member may attend any meeting of any ~~such~~ Committee of which he or she is not a member but shall not have a vote.

## Section 2.2 Committee Duties and Responsibilities.

The Standing Committees of the Board are, and shall have respective duties and responsibilities, as follows:

a. **Administrative Appeals Committees.** There shall be two (2) Administrative Appeals Committees, which may be combined with the Disability Appeals Committees. Consistent with the provisions of KRS Chapter 13B, the Committees shall meet in alternate months, as needed, to act in matters of administrative appeals. EachThe Committee shall consist of ~~a maximum of~~ three (3) members; however, the members appointed to one committee may also serve from time to time on the other committee. ~~The Committees—and~~ shall ensure that the retirement laws are administered impartially and uniformly and that the actions of the retirement system resulting in the appeal were correct and fair under the applicable statutes and regulations.

1. **Committee Responsibilities.** In matters of administrative appeals, the Committee members shall consider the administrative record including the recommended order and any exceptions filed and it may adopt the hearing officer's recommended order, or it may reject or modify, in whole or in part, the recommended order, or it may remand the matter, in whole or in part, to the hearing officer for further proceedings as appropriate. The Committee may also recommend legislative changes to improve the administration of the benefits. Any recommended legislative changes shall be referred to the Legislative and Budget Committee for study.

2. **Chief Benefits Officer Responsibilities.** The Chief Benefits Officer or designated staff will coordinate meeting dates and determine which cases will be reviewed. Staff will compile the administrative records and distribute the files to the Committee members prior to each meeting. Staff may provide legal or technical advice to the Committee.

b. **Audit Committee.** The Committee shall consist of a maximum of seven (7) five (5) members and will act on behalf of the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the internal and external audit processes, and the process for monitoring compliance with laws, regulations and the code of conduct.

1. **Committee Responsibilities.** The Committee will meet quarterly, with authority to convene additional meetings, as circumstances require. The regular quarterly

meetings shall be held on the first Thursday of February, May, August, and November. The committee shall have the authority to review reports by the Internal Auditor and to recommend appropriate policies and procedures. Additional responsibilities are enumerated in the Audit Committee Charter of the Board of Trustees.

**2. Internal Auditor Responsibilities.** The Internal Auditor will be responsible for the planning, implementation and reporting of audits and the internal audit plan. The Internal Auditor will also be responsible for the functional control of audit activities in relation to the objectives of the Division of Internal Audit. Additional responsibilities are enumerated in the Division of Internal Audit Charter.

**3. Audit Charters.** The Audit Committee Charter of the Board of Trustees and the Division of Internal Audit Charter are hereby incorporated by reference.

c. **Disability Appeals Committees.** There shall be two (2) Disability Appeals Committees, which may be combined with the Administrative Appeals Committees. Consistent with the provisions of KRS Chapter 13B, the Committees shall meet in alternate months, as needed, to act in matters of disability appeals. Each The Committee shall consist of a maximum of three (3) members; however the members appointed to one committee may serve from time to time on the other committee. The Committees and shall ensure that the disability retirement laws are administered impartially and uniformly and that all members who apply for disability retirement benefits, and who qualify under the applicable statutes, are approved for benefits.

**1. Committee Responsibilities.** In matters of disability appeals the Committee members shall consider the administrative record including the recommended order and any exceptions filed and it may adopt the hearing officer's adopt the hearing officer's recommended order, or it may reject or modify, in whole or in part, the recommended order, or it may remand the matter, in whole or in part, to the hearing officer for further proceedings as appropriate. The Committee may also recommend legislative changes to improve the administration of the benefits. Any recommended legislative changes shall be referred to the Legislative and Budget Committee for study.

**2. Chief Benefits Officer Responsibilities.** The Chief Benefits Officer or designated staff will coordinate meeting dates and determine which cases will be reviewed. Staff will compile the administrative records and distribute the files to the Committee members prior to each meeting. Staff may provide legal or technical advice to the Committee.

d. **Investment Committee.** The Committee shall consist of a maximum of five (5) members and will act on behalf of the Board on investment related matters to assure the prudent investment of the retirement systems' assets to achieve the long-term funding goals established in the Board's Statement of Investment Policy.

**1. Committee Responsibilities.** The Committee will meet quarterly to review reports from investment staff, investment consultants and investment managers with authority to convene additional meetings, as circumstances require. The regular quarterly meetings shall be held on the first Tuesday of February, May, and August, and the first Wednesday of November. The Committee will monitor investment performance and management practices and make reports and recommendations to the Board. The Committee will approve the selection and termination of service providers. The Committee will evaluate whether the policy, the investment activities, and management controls and processes continue to be consistent with meeting the retirement systems' goals and perform other duties specified in the Statement of Investment Policy. The Committee may also recommend legislative changes to improve the administration of investment related matters. Any recommended legislative changes shall be referred to the Legislative and Budget Committee for study.

**2. Chief Investment Officer Responsibilities.** The Chief Investment Officer ("CIO") will administer the assets of the retirement systems consistent with the policies, guidelines and limits established by the law, and the Statement of Investment Policy and the Investment Committee. The CIO will provide members of the Committee with assessments of service providers and performance reports. The CIO will identify issues for consideration by the Investment Committee and prepare recommendations regarding those issues. The CIO will recommend changes to service providers, statutes, policies or guidelines as needed to maintain a productive relationship between the investment program and its goals. The CIO will communicate with the mass media and other agencies, entities or institutions regarding investment related issues.

**3. Investment Policy.** The Statement of Investment Policy: Insurance Fund and The Statement of Investment Policy: Pension Funds are hereby incorporated by reference.

**e. Legislative and Budget Committee.** The Legislative and Budget Committee shall consist of a maximum seven (7) ~~five (5)~~ members and shall review the retirement systems administrative budget and recommend additions or reductions in specific program areas or budgetary items. The Committee reviews and recommends statutory changes to the Board related to the administration of benefits and compliance with federal law and determines which changes are in the best interests of the retirement systems.

**1. Committee Responsibilities.** The Committee will meet on the third Tuesday of October and January each year with authority to convene additional meetings, as circumstances require, to review budget recommendations and legislative recommendations of members of the Board, staff or others. The Committee may approve, reject and modify changes, as well as provide policy guidance for staff

in drafting changes. The Committee will present the final recommendations to the Board.

**2. Executive Director Responsibilities.** The Executive Director will schedule meetings, prepare the budget document and supporting schedules, prepare draft changes to Kentucky Revised Statutes and present them to Committee members prior to the date of a meeting. Staff will research the impact of proposed changes and report the results to the Committee. Staff will also make preliminary contacts with legislators, employers and interest groups to assist in formulating legislation to accommodate all interested parties. Staff will work with the General Assembly, Legislative Research Commission, the Governor's Office and interest groups to obtain passage of the Board's legislative proposals, or advocate other interests supported by the Board.

**f. Human Resources Committee.** The Committee shall consist of a maximum of five (5) ~~four (4)~~ members and shall assist the Executive Director and the Board of Trustees in attracting and retaining a competent, creative and motivated workforce.

**1. Committee Responsibilities.** The Committee shall meet on the third Thursday of February ~~and~~, May, the second Thursday of September, August and the first Thursday of December, November with authority to convene additional meetings, as circumstances require. The Committee recommends personnel policies to the Board. The Committee reviews and recommends salaries for executive staff based on comparable salaries and job performance. The Committee shall ensure the provisions enumerated in KRS 61.645 (9) are administered in a fair and equitable manner. The provisions of KRS 61.645(9) are herein incorporated by reference. The Committee may also recommend legislative changes to improve the administration of the personnel system. Any recommended legislative changes shall be referred to the Legislative and Budget Committee for study.

**2. Executive Director Responsibilities.** The Executive Director and his staff will maintain and provide the Committee with data on salaries of comparable positions in comparable businesses or similarly structured retirement systems. Staff will identify issues for consideration by the Committee and prepare recommendations regarding those issues.

**g. Retiree Health Plan Committee.** The Committee shall consist of a maximum of seven (7) ~~five (5)~~ members and shall assist the Board in providing a group hospital and medical insurance plan for present and future recipients of a retirement allowance from KERS, CERS, and SPRS as required by KRS 61.702.

**1. Committee Responsibilities.** The Committee will meet quarterly to review reports from retirement staff and retiree health insurance consultants with authority to convene additional meetings, as circumstances require. The regular quarterly meetings shall be held on the second Tuesday of February ~~and~~, May, the first Thursday of September, August, and the second Tuesday of November. The

Committee will monitor retiree health insurance matters and make reports and recommendations to the Board. The Committee will evaluate retiree health insurance issues and obligations set forth in state and federal law. The Committee may, as deemed necessary, evaluate health insurance companies, health maintenance organizations, self-insurance proposals, and other ways of providing a group hospital and medical insurance plan for retirees as provided in KRS 61.702. The Committee may negotiate and recommend appropriate contracts for execution by the Board. The Committee may solicit reports and actuarial analyses in order to analyze issues regarding retiree health insurance. The Committee may also recommend legislative changes to improve the administration of retiree health insurance related matters. Any recommended legislative changes shall be referred to the Legislative and Budget Committee for study.

**2. Executive Director Responsibilities.** The Executive Director and his staff will maintain and provide the Committee with necessary information to execute its responsibilities. The Executive Director and his staff will provide advice regarding state and federal laws and regulations. Staff will identify issues for consideration by the Committee and prepare recommendations regarding those issues.

**h. Legal, Compliance & Governance Committee.** The Committee shall consist of a maximum of five (5) ~~four (4)~~ members and shall assist the Board by reviewing and recommending amendments to governing documents, administrative, regulations and policies and reviewing legal services and issues.

**1. Committee Responsibilities.** The Committee will meet only as necessary upon the call of the chairman~~quarterly, with authority to convene additional meetings, as circumstances require. The regular quarterly meetings shall be held on the second Thursday of February, May, August, and November.~~ The Committee may approve, reject and modify changes in board policies, as well as provide policy guidance for staff in drafting changes. The Committee will present the final recommendations to the Board.

**2. Executive Director Responsibilities.** The Executive Director will schedule meetings, prepare the proposals, draft documents, draft changes and other pertinent materials and present them to Committee members prior to the date of a meeting. Staff will research the impact of proposed changes and report the results to the Committee.

**i.** In addition to the duties and responsibilities described in Section 2.2, each Standing Committee may develop appropriate policies and proposals to be ratified by the Board.

## **Section 2.3 Delegations of Authority by the Board.**

a. Except as may be prohibited by or inconsistent with law, the Board may delegate to any Standing Committee of the Board any power, authority, duty or responsibility conferred on the Board by law. In the case of any such delegation, the decision or action of the Committee within the scope of its delegated authority shall constitute the decision or action of the Board. The Board may at any time rescind the delegated authority as a whole or in part, except that a rescision of authority with respect to quasi-judicial matters delegated to a Committee shall not operate to affect the proceedings or the final action of any such matter pending before the Committee when the Board acts to rescind. This exception is designed to preclude the Board from using its authority to rescind a delegation to interfere with the process or outcome of a quasi-judicial proceeding then in progress before a Committee which had properly commenced the proceeding within the scope of its authority.

**b. Request for Proposal (RFP) Process.**

1. The Standing Committee charged with oversight of the area germane to the RFP shall ensure that the most appropriate vendors are chosen to provide services to the retirement systems consistent with the “Kentucky Retirement Systems Procurement Policy.” The Standing Committee will review and make recommendations for appropriate vendors during its regularly scheduled meeting or at a special meeting if necessary.
2. The Chair shall appoint a RFP Committee as needed to review and make recommendations regarding RFPs that are not within an area germane to a Standing Committee. The RFP Committee will not have regular meetings, but will meet as a Special Meeting at the call of the Executive Director or the Chair.
3. **Staff Responsibilities.** Staff will solicit and screen responses for eligibility and completeness. Staff will conduct any preliminary due diligence necessary to assist in the screening of responses and the selection of the finalists presented for consideration by the Committee.

**Section 2.4 *Ad hoc* Committees.**

In addition to the Standing Committees specified in Section 2.2, the Chair or the Board may at any time establish an *ad hoc* Committee of the Board and fix its duties and responsibilities for any purpose which in the judgment of the Chair or the Board is better served by a temporary rather than Standing Committee. Each such Committee shall consist of such number of members as the Chair shall determine, and the Chair shall also then appoint the chair and designate the other members of the Committee.

**Section 2.5 Limitations on Authority.**

No Committee shall have any power or authority, nor shall the Board delegate to it power or authority, as to any of the following:

- a. The amendment or repeal of any Board resolution.
- b. Action on other matters committed by Board resolution or by Kentucky law (including the common law of trusts respecting the delegation or the non-delegation of fiduciary responsibilities) to the Board under terms or provisions that make such action non-delegable.

**Section 2.6 Amendment of Bylaws**

**These bylaws may be amended at any regular meeting of the KRS Board of Trustees by a vote of a majority of the entire membership of the board.**

**Section 3.0 Certification of Statement of Bylaws and Committee Organization.**

We, the Chair of the Board of Trustees and the Executive Director of the Kentucky Retirement Systems, do certify that this Statement of Bylaws and Committee Organization was approved by the Board on this the ~~54<sup>th</sup>~~ Day of ~~December~~~~April~~ 2013.

---

Randy Overstreet, Chair Date

---

William A. Thielen, Executive Director Date